

# Banking Committee

## H.B. No. 5973

**Brief Description:** Bank of Connecticut Act.

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**Sponsors:** Representative Susan Johnson

**Hearing Date:** 1/26/14

### Brief Summary of Bill

AN ACT to create the Bank of Connecticut to: serve as a depository for state moneys, invest state moneys, facilitate investment in infrastructure, administer student loans, and provide banking services. It specifies the purposes of the bank, establishes a Bank President, Bank Board of Directors and a Board Advisory Committee. It allows the bank, after adequate capital of at least \$100 Million USD, to accept deposits of public funds, to make, purchase, guarantee, modify or hold certain loans and to serve as a custodian bank. It directs the Treasurer of State to deposit money into the Bank. Excess earnings income of the bank is deposited in the Connecticut General Fund.

The bill provides for a quarterly examination by the Bank Board of Examiners and Banking Commission and an audit by the Connecticut State Auditor every 2 years.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF CONNECTICUT:

### Sec. 1. CONNECTICUT FINDINGS:

1. The legislature finds that access to capital is vitally important for the health, security, and well-being of all individuals and businesses in our state. They are the economic drivers allow Connecticut's commerce to grow and run smoothly. The lack of accessible capital, as currently, critically experienced due to the economic downturn, i.e. significant lack of business loans, public infrastructure funds, and educational financing across the state, is exacerbating the economic hardships being faced by families, businesses, and public institutions.
2. The legislature further finds that it can best direct economic development policy initiatives in a more efficient and responsive manner by creating a system of banking owned, controlled and operated by the State of Connecticut, under the name of the Bank of Connecticut, as a legacy institution that amasses sufficient capital reserves to address opportunities now and in the future.

## Sec. 2. A SUCCESSFUL BANK BLUEPRINT:

1. **The Bank of North Dakota (BND)** is an AA+ rated Bank as the "Bank of North Dakota Outperforms Wall Street" recently reported in the Wall Street Journal on Nov. 20, 2014. In its 96 year history, established long before the state's present oil boom, BND had a single flat year; returning over \$100 Million USD in 2014 with return expectations of \$500 Million USD over the next 5 years.
2. **BND is a state bank**, established by the State of North Dakota in 1919 pursuant to North Dakota Century Code 6-09-01 for the purpose of encouraging and promoting agriculture, commerce, and industry. The State of North Dakota deposits all state funds and funds of state institutions in BND. BND also accepts other deposits from any source, including private citizens, businesses, and the U.S. government. BND guarantees all deposits, pursuant to North Dakota Century Code 6-09-10, and is not a member of the Federal Deposit Insurance Corporation,
3. **BND is overseen** by the North Dakota Industrial Commission and advised by a seven member Advisory Board appointed by the Governor. BND Advisory Board reviews the bank's operations and makes recommendations to the Industrial Commission relating to the bank's management, services, policies and procedures.
4. BND has four established business areas: **Student Loans, Lending Services, Treasury Services and Banking Services**. BND participates in both direct lending and participation loans to promote commercial, agriculture, residential, education, and community infrastructure development.
5. In dire contrast to **BND return expectations surplus of \$500 Million USD** over the next 5 years in the State of North Dakota, the State of **Connecticut** is expected to have budget shortfalls greater than \$1 Billion USD each and every year from 2016 onwards with accumulations **shortfalls of \$3.5 Billion USD by 2018**. In lieu of raising taxes, the only proven solution to meet the growing budgetary gap while growing Connecticut's local economy through extending credit to agriculture, commerce and industry, thereby creating new tax revenue sources is by establishing the Bank of Connecticut.

## Sec. 3. ACT DEFINITIONS:

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise. For the purposes of this Act,

1. "Advisory Committee or Advisory Committee of the Board of Directors" means the Advisory Committee of the Board of Directors of the Bank of Connecticut.
2. "Allocation" means an allocation of a part of the state's volume cap to an issuer pursuant to this part.
3. "Board or Board of Directors" means the Board of Directors of the Bank of Connecticut.

4. "Board of Examiners" means the Board of Examiners of the Bank of Connecticut.
5. "Bond" means any bond, note, debenture, interim certificate, or other interest-bearing evidence of financial indebtedness of an issuer.
6. "Cap bonds" means those private activity bonds and that portion of governmental bonds for which a part of the volume cap is required to be allocated pursuant to the tax act.
7. "Finance" means to supply capital and, in the case of agricultural enterprises, to refinance a project and project costs.
8. "Financial institution" means any bank, savings and loan association, credit union, development credit corporation, insurance company, investment company, trust company, savings institution, or other financial institution approved by the board.
9. "Governmental bonds" means bonds other than private activity bonds.
10. "Governor" means the Governor of the State of Connecticut.
11. "Issuer" means a private, local, or state issuer.
12. "Legislature" means the Connecticut General Assembly (CGA) of the State of Connecticut, i.e. the bicameral body composed of the 151-member House of Representatives and the 36-member Senate.
13. "Lieutenant Governor" means the Lieutenant Governor of the State of Connecticut.
14. "Local government" means the city in which the project is located, if the project is located within an incorporated municipality, or the county if the project is located within the county but outside the boundaries of an incorporated municipality.
15. "Local issuer" means a city, town, county, or other political subdivision of the state authorized to issue private activity bonds or governmental bonds.
16. "Local portion" means that portion of the state's volume cap reserved for local issuers.
17. "Major project" means a project whose cost or appraised value exceeds \$1,000,000 USD.
18. "Private activity bonds" (PABs) has the meaning prescribed under Section 141 of the Internal Revenue Code, 26 U.S.C. 141.
19. "Project" means a project as defined in Conn. Gen. Stat. §
20. "Project costs" means the costs of acquiring or improving any project, including the following:
  - a. the actual cost of acquiring or improving real estate for any project,
  - b. the actual cost of construction of all or any part of a project, including architects' and engineers' fees,
  - c. all expenses in connection with the authorization, sale, and issuance of the bonds to finance such acquisition or improvement,
  - d. bond reserves and premiums for insurance or guaranty of loan payments or lease rentals pledged to pay the bonds,
  - e. the interest on such the bonds for a reasonable time prior to construction, during construction, and exceeding 6 months after completion of construction.

21. "Public infrastructure system" means a system any of the Connecticut 36 senatorial or the 151 congressional state or the 5 US congressional districts, the 169 towns, i.e. fundamental political jurisdictions, a 15 planning regions defined by the state Office of Planning and Management, a special purpose district like the 21 cities, coterminous with their namesake towns and merged city-town government, a 164 public school district, an institution of higher education as defined [Conn. Gen. Stat. § 10a-34-2], a federally recognized Indian tribe, or the state, including but not limited to a system involving: Wastewater treatment; storm water management; solid waste disposal; drinking water treatment; flood control levees; energy generation, distribution, or transmission facilities; energy efficiency enhancements including alternative, renewable, or sustainable energy facilities; roads, streets, and bridges; transportation infrastructure, including freight rail and transit; broadband and telecommunications infrastructure; outdoor recreation and habitat protection facilities; community, social service, or public safety facilities; schools and educational facilities; and affordable housing as defined [Title 8 Housing Regulations § 8-30g-1]
22. "Secretary" means the Secretary of the State of Connecticut.
23. "State bank" means the Bank of Connecticut created in Section 3.
24. "State issuer" means the state and any agency of the state authorized to issue private activity bonds.
25. "Substantial interest" means any investment, loan, ownership interest, credit, or stock in any business or entity. It does not include a mutual fund unless the interest is at least ten percent of the value of the mutual fund.
26. "Tax act" means the latest limitation enacted by the United States congress on the amount of cap bonds that may be issued by a state or local issuer.
27. "Treasurer" means the Treasurer of the State of Connecticut.
28. "Volume cap" means, with respect to each calendar year, the principal amount of cap bonds that may be issued in the state in a calendar year as determined under the provisions of the tax act.
29. "Comptroller" means the Comptroller of the State of Connecticut.
30. "DOA" means the Connecticut Department of Agriculture.
31. "DAS" means the Connecticut Department of Administrative Services.
32. "DOB" means the Connecticut Department of Banking.
33. "DOE" means the Connecticut Department of Education.
34. "DEEP" means the Connecticut Department of Energy and Environmental Protection.
35. "DOH" means the Connecticut Department of Housing.
36. "DRS" means the Connecticut Department of Revenue Services.
37. "DOT" means the Connecticut Department of Transportation.
38. "Director" means the director of financial institutions.

39. "Mutual fund" means a diversified mutual fund registered with the federal Securities and Exchange Commission and which is managed by an investment advisor with assets under management of at least \$500 Million USD.
40. "President" means the president of the Bank of Connecticut.
41. "State-chartered bank" means any corporation organized under the laws of this state engaged in banking, other than a Bank company, savings association, or a mutual savings bank. It does not include the Bank of Connecticut.
42. "State moneys" means all moneys or funds belonging to or in the custody of the state under the control of the state treasurer shall be considered as state moneys or funds.

#### Sec. 4. BANK MISSION, PURPOSES, AND PRIORITIES:

The mission of the Bank of Connecticut is to promote agriculture, education, community development, economic development, commerce, and industry in this state by acting in partnership with other financial institutions, economic development groups, guaranty agencies, and state agencies to serve as a funding resource for persons doing business within this state.

The Legislature expects the Bank to apply business strategies to manage taxpayer revenues while concurrently meeting identified needs and strategic opportunities across the state with the following purposes:

1. **Financial security, stability, and liquidity** - To provide security, stability, and liquidity to the State financial sector by partnering with and participating in state-chartered community banks, credit unions or other financial institutions;
2. **Economic development** - To support job creation and the economic development of the State by increasing access to capital for businesses and farms within the State in partnership with local financial institutions;
3. **Infrastructure development** - To facilitate investment in, and financing of, public infrastructure systems that will increase public health, safety, and quality of life, improve environmental conditions, and promote community vitality and economic growth;
4. **Educational Assistance** - To reduce costs paid by the State for Assist students who are in need of additional low-cost student loans in order to finance the cost of higher education; and
5. **Basic banking services** - To reduce costs paid by the State for basic banking services while leveraging Connecticut's financial capital and resources in partnership with financial institutions, community-based organizations, economic development organizations, guaranty agencies, and other stakeholder groups.

6. **Return profits** - To return profits, beyond the revenue needed to accomplish the mission and continued sound operation of the bank, to the Connecticut Budget Reserve Fund established in Conn. Gen. Stat. § 4-30a, through the most efficient use of taxpayer revenues and public resources for the benefit of the people, their farms, their businesses, their education, and the overall economy of the State.

In achieving these purposes, the Legislature expects the Bank to follow their priorities of:

- a. Institutional safety and soundness,
- b. Long-term viability,
- c. Social and monetary return on investments,
- d. Best banking and business practices,
- e. Highest ethical, accountability, and transparency standards,
- f. Insulation from political influence.

## **Sec. 5. BANK STRUCTURE, MANAGEMENT, AND AUDIT:**

1. **The Bank of Connecticut** is established as a department within the state government minimally consisting of a Bank President, a Bank Board of Directors, and a Bank Board of Directors Advisory Committee. The bank operates as an investment company, as defined in Conn. Gen. Stat. § , with articles of incorporation, a bank seal, employees, bank officers, assets, and liabilities. The name of the bank is the "Bank of Connecticut." All business of the bank must be under the name of "Bank of Connecticut" and signed with the seal.
2. **The Bank President** is responsible for the establishment, daily maintenance, operations and the specific effectuation of the Bank's mission and objectives, as described in Sec 6. Bank President: Eligibility, Duties and Powers. The president's appointment is subject to Senate confirmation and subject to Conn. Gen. Stat. § .
3. **The Bank Board of Directors** is responsible for the overall management and control of the Bank, as described in Sec 7. Bank Board: Members, Duties and Powers, to effectuate the Bank's mission and objectives. The Bank Board of Directors shall serve as the Bank Board of Examiners.
4. **The Bank Board of Directors Advisory Committee** serves the Bank Board by making recommendations for improving operation, management and control of the Bank to achieve the Bank's mission, as described in Sec 3. Bank Board Advisory Committee: Members, Duties and Powers.
5. **As State Agency** - The Bank is:
  - a. not subject to Conn. Gen. Stat. §

- b. subject to open meeting laws and laws regarding retention of records, information technology, and audit by the legislative auditor. A financial audit of the bank's books and records must be done annually, and the actual costs of the audit must be paid from the bank's funds.

## **Sec. 6. BANK PRESIDENT ELIBILITY, DUTIES, AND POWER:**

1. **President Eligibility** - The Bank Board of Directors appoints the Bank President with status of Department Director. A Connecticut Resident with extensive experience in banking is eligible for appointment by the Bank Board and subject to approval by the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and confirmation by the Senate.
2. **Term, Compensation** - The President, and all officers and employees of the Bank engaged in its financial functions, shall be appointed by the Bank Board and approved by the Senate for a renewable period of 4 years. The President shall receive a graduated performance compensation set by the Board and shall be reimbursed for business and travel expenses associated with his duties and powers.
3. **Duties, Appointments** - The President is responsible for the daily operation and implementation of the Bank's mission and objectives. The President may appoint and employ any subordinate officers, employees and agents as well as cashiers, tellers, and other subordinates, and such contractors, architects, builders, attorneys, clerks, accountants, computer technicians and other experts, agents and servants, deemed necessary for implementing the Bank's mission and objectives.
4. **Officers, Bonds** - The Bank President, and all officers and employees of the Bank engaged in its financial functions, shall furnish good and sufficient bond to the state in amount and upon conditions as required by the Board for approval before entering upon their duties. The bond of the President shall not be less than \$1 Million. Such bonds shall be filled with the Secretary of the State.
5. **Employees, Compensation** - The President shall define the duties, designate the titles and fix the compensation of all such positions in Subsection 4. The total compensation of such appointees and employees, together with other expenditures for the operation and maintenance of the Bank, shall remain within the annual budget approved by the Board and available for such purpose.
6. **Remove, Discharge** - The President may remove and discharge any and all persons appointed in the exercise of powers granted by this section but any such removal may

only be made for cause in effectively rendering or performing said public service in achieving the Bank's mission and objectives.

7. **Policymaking** - The President, through policy making, shall adopt operational policies and enforce orders necessary to fulfill his functions under this section. Policies adopted under this subsection are routine technical policies and orders as defined in Conn. Gen. Stat. § . At least twice a fiscal year, on the first business day on or after, January 1 and June 1, the President shall report the operational, managerial, and financial state of the Bank to the Board including expectations and projections for the next half-year.

## Sec. 7. BANK BOARD MEMBERS, TERMS, DUTIES, AND POWER:

1. **Board Members** - The Board of Directors for the Bank of Connecticut is established and consists of 5 voting members appointed by the Governor every 4 years, renewable and co-synchronous with the Governor's term, and subject to confirmation by the Senate. The Treasurer of State and the Commissioner of Administrative Services serve as ex officio nonvoting members of the board. The board shall oversee the operation, management and control of the bank in accordance with this Act. The Board shall designate one of its members as chair and determine the locations to maintain places of business of the Bank.
2. **Term, Compensation** - Board members serve for appointed by the Governor every 4 years, renewable and synchronous with the Governor's term, without compensation except that members may be reimbursed for business and travel expenses associated with their duties under this Act.
3. **Duties** - On recommendation from the Board Advisory Committee, The Board shall decide a bank seal, approve the articles of incorporation and company business plan, approve bank officers and employees, ratify assets and liabilities, create rules and policies, and solidify initial capitalization for the bank.
4. **Meetings, Quorum** - The Board shall establish the frequency of regular board meetings in bylaws and public notice requirements for meetings through rulemaking under Subsection 5. A special meeting may be called at any time upon notice by the Governor, or by 3 members of the board. Three voting members constitute a quorum and may transact business and exercise all rights, duties and powers of the board.
5. **Appointments** - The board shall appoint a Bank of Connecticut President in accordance with Section 6: Subsection 1. President Eligibility. The Board may also appoint, define duties, designate titles, fix compensation and bonds of any subordinate officers,



employees and agents that the board considers necessary to achieve the Bank's objectives. The board may designate the president or another officer or employee as its agent with respect to the functions of the bank, subject to the supervision, limitation and control of the board.

6. **Removal, Discharge** - The Board may remove and discharge any and all persons appointed in the exercise of the powers granted by this Act, whether by the Board or by the President, but any such removal may only be made for cause in effectively rendering or performing said public service in achieving the Bank's mission and objectives.
7. **Rulemaking** - The board, through rulemaking, shall adopt bylaws and operating policies and shall enforce orders necessary to fulfill its functions under this section. Rules adopted under this subsection are routine technical rules as defined in Conn. Gen. Stat. § .

## **Sec. 8. BANK ADVISORY COMMITTEE MEMBERS, OFFICERS, TERMS, AND DUTIES:**

The Bank Board shall appoint the Bank of Connecticut Advisory Committee to actively enlist the help of private enterprise and encourage use of the bank.

1. **Members** - The Advisory Committee consists of 9 members and must include:
  - a. The Bank President or his appointee, and
  - b. The Commissioner of Department of Banking or his appointee, and
  - c. Representatives of the State's agricultural, business, financial, high-tech, industrial, and medical sectors, and
  - d. At least 1 officer from a state-chartered financial institutions that does not maintain offices outside the State.
2. **Officers** - The board shall appoint a chair, vice-chair and secretary for the Advisory Committee from the members of the advisory committee.
3. **Terms, Compensation** - Advisory Committee Members serve a term of 4 years, renewable and co-synchronous with the Governor's term, except as provided by law for initial appointments. Advisory Committee members serve without compensation except that members may be reimbursed for business and travel expenses associated with their duties under this Act.
4. **Duties** - The Advisory Committee shall:
  - a. Make initial recommendations to the Board for the bank seal, the company articles of incorporation, business plan, bank officers and employees, assets and liabilities, rules and adopt policies, and initial capitalization,

- b. Meet regularly with the board to review and make recommendations concerning the bank's operations and finances and loan practices,
- c. Make recommendations to the board for improving management performance, customer service and internal methods, procedures and operating policies of the bank,
- d. Make recommendations to the board relating to the establishment of additional objectives for the operation of the bank,
- e. Make recommendations to the board concerning the appointment of officers of the bank, and
- f. Participate on investment and loan committees.

## Sec. 9. BANK DEPOSIT

1. **Capitalization** - The Bank Board shall secure bonds in the sum of \$100 Million USD issued by the State of Connecticut delivered to the Bank Board for capitalization of the Bank of Connecticut within 45 days of passage of this Act. Under recommendation of the Bank Board, the State may appropriate, allocate, collateralize and monetize such bonds through any combination of the following State sources:
  - a. The General Fund - appropriation, allocation
  - b. The Reserve Fund - allocation, collateralization, and monetization
  - c. The Short-Term Investment Fund (STIF) - allocation, collateralization, and monetization
  - d. Comprehensive Annual Financial Report (CAFR) Sources - allocation, collateralization, and monetization
  - e. 6 Retirement Funds ("Pensions") and 12 Trust Fund - allocation, collateralization, and monetization
  - f. State Assets - collateralization, and monetization
2. **Open for Business** - The transaction of these bonds is hereby designated and known as the initial capital of the Bank after which the Bank will be viable to transact business in accordance with this Act. The Bank Board shall operate under conservative guidelines of 10% capital reserve to parlay this initial capitalization into an initial market capitalization of the Bank of \$1 Billion USD.
3. **Deposits by Treasurer, State Official Controlling Public Funds** - The Treasurer and all State officials controlling public funds shall deposit with the bank all state funds and funds of all state penal, educational, and industrial institutions and all other public funds must be deposited in the Bank, by the person having control of such funds, deposited in the Bank within 90 days of passage of this Act, subject to disbursement for public

purposed on check drawn by the proper officials in the manner now or hereafter to be provided by law.

4. **Treasurer Authority** - The Bank may invest state moneys deposited in the Bank that are not reasonably expected to be necessary to meet the short or intermediate-term liquidity needs of the state. The state treasurer retains authority to manage and invest the amount of funds necessary to meet the operational needs of state government.
5. **Postponement, Penalties** - On proper showing made by any official having control of public funds, the Board may permit a postponement of the deposit of such funds or any part thereof in the Bank, the period of such postponement not to exceed six months. And provided, further, that if any such funds are now loaned by authority of law under contract terminating at a future time, the deposit of such funds in the Bank shall not be required until two months after time of expiration of such contract. Any person who shall violate any of provisions of this section shall be guilty of a misdemeanor and upon conviction thereof shall be punished by imprisonment in a county jail for not less than ninety days, and by a fine not less than \$100,000 USD.
6. **Liability Exemption** - Any official having control of the public funds that were posited in the Bank, and the sureties on the bond of every such official, shall be exempt from all liability by reason of loss of any such deposited funds while so deposited.
7. **Deposits by Others** - In addition to the ongoing, mandatory deposits of the State specified in Sec. 8 Deposits by Treasurer, State Official Controlling Public Funds, the Bank may receive deposits from any source, including the Treasurer, the United States Government, any foreign or domestic individual, corporation, association, municipality, bank or government. The President shall review State accounts that contain public funds that are not state moneys to make recommendations to the Board and the appropriate committees as to which accounts are eligible for deposit in trust.
8. **Reserve Depository, Clearinghouse** - Funds deposited by other Banks in the Bank shall be deemed "available funds." for banks that make the Bank a reserve depository, it may perform the functions and render the service of a clearinghouse, including all facilities for providing domestic and foreign exchange, and may re-discount paper, on such terms as the Commission shall provide.
9. **State Guarantee** - All deposits in the Bank are hereby guaranteed by the State. Such deposits shall be exempt from State, Country and Municipal taxes of any and all kinds.
10. **Deposit Interest** - The bank shall pay interest on public deposits at a rate comparable to rates paid by private depositories of public funds and may offer other financial products to the Treasurer on a competitive basis.

11. **Deposit Income** - All income earned by the bank for its own account on state moneys that are deposited in or invested with the bank to the credit of the state must be credited to and become a part of the revenues and income of the bank.

## Sec. 10. BANK POWERS

1. **Loans** - The bank may make, purchase, guarantee, modify or hold loans:
  - a. To state-chartered financial institutions.
  - b. That are insured or guaranteed in whole or in part by the United States or its agencies or instrumentalities.
  - c. Obtained as security pledged for, or originated in the restructuring of, any other loan properly originated or participated in by the bank.
  - d. To instrumentalities of this State.
1. **Infrastructure Loans** - The Bank may facilitate investment in, and financing of, construction, rehabilitation, replacement, and improvement of new and existing public infrastructure systems. For such loans, the President must obtain approval from the Board and any appropriate Legislative Committees through a good faith showing of an implementation plan with any necessary legislation that:
  1. Identifies the public infrastructure systems that the Bank plans to target initially.
  2. Identifies any existing state programs that the Bank recommends be transferred under its umbrella, and the steps and timelines for the transitions.
  3. Describes additional financing products and services the Bank plans to offer, the target markets, anticipated rates, terms, and conditions.
  4. Demonstrates how Bank products and services will increase access to capital for public infrastructure systems and complement those of existing public and private sources.
  5. Demonstrates how the Bank plans to maximize revenues and public benefit.
2. **Student Loans** - The Bank may administer a state guarantee loan program to assist students in need of low-cost student loans and related loan benefits to address educational needs as necessary to support student success. For such loans, the Bank President must obtain approval from the Bank Board and any appropriate Legislative Committees after a good faith showing of an implementation plan and any legislation that:
  1. Identifies the needs and benefits to selected students that the program will target initially.
  2. Demonstrates how the Bank plans to maximize revenues and public benefit while minimizing public risk.

3. Demonstrates how the Bank will coordinate with the office of student financial assistance.
  4. Identifies the ways that the program will address the following issues related to loans:
    - a. Qualification criteria for students,
    - b. Obligations and options for loan repayment,
    - c. Requirements for loan guarantees and reserves,
    - d. Fee and interest rate structure,
    - e. Maximum loan amounts,
    - f. Ensuring student awareness of grants, federal loans, and other financial aid programs.
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3. **Secondary Loans** - The bank may purchase, guarantee, modify or hold loans originated by financial institutions authorized to do business in this State.
  4. **Forbidden Loans** - The bank may not make loans to any private individual or legal entity.
  5. **Ethical Requirements** - The Bank may not make a loan to Employees or Officers of the Bank, the Bank President, Bank Board Members, or Bank Advisory Committee Members. Employees or Officers of the Bank, the Bank President, Bank Board Members, and Bank Advisory Committee Members must follow applicable ethical requirements in Conn. Gen. Stat. § and in rules, policies, and procedures adopted by the commission.
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2. **Participation Interests** - The bank may:
    - a. Purchase participation interests in loans made or held by banks, bank holding companies, state-chartered or federally chartered financial institutions, any other financial institutions or any other entity that provides financial services and that meets underwriting standards that are generally accepted by state or federal financial regulatory agencies; and
    - b. Make loans in the form of participation loans to qualified persons residing in or doing business in this State when the originator of the loan is a private financial institution.
  3. **Bank Investments** - The bank shall invest its funds in conformity with policies of the board and the investment standards in Conn. Gen. Stat. §.
  4. **Federal Bonds** - The bank may buy and sell federal bonds.

5. **Property** - The bank may lease, assign, sell, exchange, transfer, convey, grant, pledge or mortgage all real and personal property, title to which has been acquired in any manner.
6. **Treasury Services to Banks** - The bank may:
  - a. Act as a custodian bank for financial institutions authorized to do business in this State and accept deposits from the financial institutions in connection with this function.
  - b. For financial institutions that make the bank a reserve depository, perform the functions and render the services of a clearinghouse, including all functions for providing domestic and foreign exchange, and rediscount notes, on terms prescribed by the board.
  - c. Issue bank stock loans to financial institutions authorized to do business in this State.
  - d. Provide corporate trust services for the state and its political subdivisions including trustee, escrow agent, paying agent, bond registrar, and transfer agent.
  - e. Buy and sell federal funds; issue letters of credit for public deposits; and provide a safekeeping service for United States treasury securities, federal agency securities, corporate bonds, tax-free bonds, money market investments, and mortgage-backed securities.
  - f. Become a member of the Federal Reserve System (FED).
  - g. Perform services currently contracted out by the department of social and health services regarding electronic benefits transfer cards.
7. **Other Powers** - The bank may perform all acts and do all things necessary, convenient, advisable or desirable to carry out the powers expressly granted or necessarily implied in this chapter through or by means of its president, officers, agents or employees or by contracts with any person, firm or corporation.

## Sec. 11. LIMITED PENSION INVESTMENTS

1. **Pension Investments** - The Connecticut Pension and Other Employee Benefit Trust Funds, referred to in this section as "the retirement system," may invest funds in the bank in the exercise of its discretion and consistent with its fiduciary duties to the beneficiaries of the retirement system. This subsection does not mandate or require any investment by the retirement system or give the retirement system any responsibilities in the governance and oversight of the bank.
2. **Investments Restrictions** - The retirement system may not invest more than \$100 Million USD in the bank.

3. **Disclosure of Investments** - The retirement system shall make available to the public the following information with respect to any investment in the bank pursuant to this section:
  - a. The amount of the retirement system's total investment in the bank,
  - b. The date of the investment,
  - c. The rate of interest paid on the investment by the bank in accordance with Sec. 8. Subsection 10: Deposit Interest.

## Sec. 12. FEES, TAXES AND EARNINGS TRANSFERS

1. The Bank is exempt from payment of all fees and taxes levied by the state or any of its subdivisions.
2. Except as provided in Conn. Gen. Stat. §, as soon as possible after the end of each calendar year, the Board shall determine the amount of income, if any, earned by the bank in that prior calendar year that is in excess of amounts necessary to pay for expenses of administering the activities of the Bank less any reserves required pursuant to rules adopted in accordance with Sec. 12. Subsection 1.e: reserve requirements for delinquencies and future business and payment of debts from any initial funding. The amount of the excess must be transferred to the Connecticut General Fund established in Conn. Gen. Stat. §.

## Sec. 13. FINANCIAL REGULATION

1. **Capital Adequacy** must be maintained by the Bank and other standard indicators of safety and soundness as is appropriate for a publicly owned financial institution.
2. **Examination of the Bank** may be performed by the Commissioner of the Banking Department in the same manner as a state-chartered financial institution under Conn. Gen. Stat. §. The Commissioner shall take into consideration the unique circumstances of a publicly owned financial institution when examining the Bank. The Bank shall pay the Commissioner for the reasonable costs of examinations.
3. **Independent Audits** must be performed on the Bank on the same basis as state-chartered banks.

## Sec. 14. RULEMAKING AND OVERSIGHT

1. **Rule-making Authority** - The Bank Board of Directors shall adopt rules to:

- a. Ensure the safety and soundness of the bank that, to the extent possible, reflect applicable standards for safety and soundness set forth in 12 Code of Federal Regulations, Part 364.
  - b. Specify the bank's powers and permissible investments and activities consistent with Sec. 9. BANK BUSINESS.
  - c. Specify services that the bank may provide.
  - d. Specify limits for loans and other obligations the bank makes or undertakes.
  - e. Specify reserve requirements.
  - f. Set other requirements that the board considers necessary to administer the bank under this chapter and to accomplish the purposes listed in Sec. 4. BANK MISSION, PURPOSES, AND PRIORITIES.
2. **Rules Adopted** - under this subsection are major substantive rules as defined in Conn. Gen. Stat. §.
3. **Examination and Report** - The Bank Board of Examiners shall examine the Bank at least once each calendar quarter to verify and ensure that the bank is complying with the rules adopted under Sec. 7. BANK BOARD MEMBERS, TERMS, DUTIES, AND POWER. The Bank Board of Examiners shall report the results of the examination to the board and to the Commissioner of the Banking Commission. The Board's report is a public record subject to disclosure.
4. **Audit** - The Connecticut Auditor of Public Accounts responsible for providing "independent, unbiased and objective opinions and recommendations" on financial and compliance matters and shall audit the accounts and financial affairs of the bank at least once every 2 years.
5. **Annual Report, Performance Metrics** - Beginning June 1, 2015, and annually thereafter, the Bank Board of Examiners shall report to the Governor and the Legislature on the financial condition and performance of the bank and provide an analysis of the bank's impact on the State consistent with the bank's purposes set forth in Sec. 4. BANK MISSION, PURPOSES, AND PRIORITIES, particularly the bank's impact on job creation and economic development.

## Sec. 15. NAMED INSTRUMENT EXECUTION

3. **All Business** - of the Bank must be conducted under the name of the Bank of Connecticut. Title to property pertaining to the operation of the bank must be obtained and conveyed in the name of the Bank of Connecticut.



4. **Instruments** - must be executed in the name of the State. Within the scope of authority granted by the board, the president of the bank may execute instruments on behalf of the bank, including any instrument granting, conveying or otherwise affecting any interest in or lien upon real or personal property.
5. **Officers or Employees** - of and legal counsel to the bank may execute instruments on behalf of the bank when authorized by the Board.

## Sec. 16. BANK RECORDS.

1. **Exempt from Public Disclosure** are certain Bank business records and records of the department relating to the Bank under Conn. Gen. Stat. §.
2. **Not Prohibit** in this section is:
  - a. The issuance of general statements based on the reports of persons subject to this chapter as long as the statements do not identify the information furnished by any person; or
  - b. The publication by the director or the commission of the name of any person violating this chapter and a statement of the manner of the violation of that person.
3. **Sharing Financial and Commercial Information** and records submitted to either the department or the commission for the purpose of this Act administering this chapter between the department and the treasurer may be allowed. These records may also be used in any suit or administrative hearing involving any provision of this chapter.
4. **Exempt from Public Disclosure** is the following information relating to insurance and financial institutions is under this chapter:
  1. Records maintained by the board of industrial insurance appeals that are related to appeals of crime victims' compensation claims filed with the board under Conn. Gen. Stat. §.
  2. Information obtained and exempted or withheld from public inspection by the health care authority under Conn. Gen. Stat. §, whether retained by the authority, transferred to another state purchased health care program by the authority, or transferred by the authority to a technical review committee created to facilitate the development, acquisition, or implementation of state purchased health care under Conn. Gen. Stat. §.
  3. The names and individual identification data of either all owners or all insureds, or both, received by the insurance commissioner under Conn. Gen. Stat. §.

